



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

RECORDS SECTION
FEB 25 1976

February 25, 1976

CONFIDENTIAL (FR)
CLASS II FOMC

TO: Federal Open Market Committee

FROM: Arthur L. Broida *ALB*

In accordance with procedures approved by the Committee, the attached continuing authorizations are being called to the Committee's attention before the March organization meeting to give members an opportunity to raise any questions they have concerning them.

Please let me know by March 5 whether you would like to have any of the attached documents placed on the agenda for consideration by the Committee at its organization meeting on March 16, 1976.

Attachments:

1. Procedures for allocation of securities in the System Open Market Account
2. List of Treasury Department officials to whom weekly reports on open market operations may be sent

- 2 -

(Attachments continued:)

3. Authority for the Chairman to appoint a Federal Reserve Bank as agent to operate the System Account in case the New York Bank is unable to function
4. Resolutions providing for continued operation of the Committee and for certain actions by the Reserve Banks during an emergency
5. Resolution relating to examinations of the System Open Market Account
6. Guidelines for the conduct of System operations in Federal agency issues
7. Regulation relating to Open Market Operations of Federal Reserve Banks
8. Rules of Organization, Rules Regarding Availability of Information, and Rules of Procedure

PROCEDURES FOR ALLOCATION OF SECURITIES
IN THE SYSTEM OPEN MARKET ACCOUNT

(As last amended April 17, 1975,
effective May 1, 1975)

1. Securities in the System Open Market Account shall be reallocated at least once each year as determined by the Board's Division of Federal Reserve Bank Operations and the Manager of the System Open Market Account for the purpose of settling Interdistrict clearings and approximately equalizing for each Federal Reserve Bank the ratio of gold certificate holdings to Federal Reserve notes outstanding.

2. Until the next reallocation, the Account shall be apportioned on the basis of the ratios determined in Paragraph 1.

3. Profits and losses on the sale of securities from the account shall be allocated on the day of delivery of the securities sold on the basis of each Bank's current holdings at the opening of business on that day.

List of Treasury Department officials to whom
copies of weekly "Report of Open Market Operations
and Money Market Conditions" may be sent

1. The Secretary of the Treasury
2. The Under Secretary for Monetary Affairs
3. The Assistant to the Secretary working on debt management problems
4. The Fiscal Assistant Secretary of the Treasury

Note:

Under paragraph 8 of the Authorization for Foreign Currency Operations, the staff is authorized to transmit pertinent information on System foreign currency operations "to appropriate officials of the Treasury Department." The weekly reports on operations in foreign currencies for System and Treasury account are sent to the following:

1. The Secretary of the Treasury
2. The Under Secretary for Monetary Affairs
3. Director, Office of Foreign Exchange Operations,
Office of Assistant Secretary for International
Affairs

Authority for Chairman to appoint a Federal Reserve Bank as agent to operate the System Account temporarily in case the Federal Reserve Bank of New York is unable to function. (Note: This authorization was first given on March 1, 1951, and has subsequently been reaffirmed periodically.)

RESOLUTION OF FEDERAL OPEN MARKET COMMITTEE
TO PROVIDE FOR THE CONTINUED OPERATION OF
THE COMMITTEE DURING AN EMERGENCY
(Reaffirmed March 10, 1970)

In the event of war or defense emergency, if the Secretary or Assistant Secretary of the Federal Open Market Committee (or in the event of the unavailability of both of them, the Secretary or Acting Secretary of the Board of Governors of the Federal Reserve System) certifies that as a result of the emergency the available number of regular members and regular alternates of the Federal Open Market Committee is less than seven, all powers and functions of the said Committee shall be performed and exercised by, and authority to exercise such powers and functions is hereby delegated to, an Interim Committee, subject to the following terms and conditions:

Such Interim Committee shall consist of seven members, comprising each regular member and regular alternate of the Federal Open Market Committee then available, together with an additional number, sufficient to make a total of seven, which shall be made up in the following order or priority from those available: (1) each alternate at large (as defined below); (2) each President of a Federal Reserve Bank not then either a regular member or an alternate; (3) each First Vice President of a Federal Reserve Bank; provided that (a) within each of the groups referred to in clauses (1), (2), and (3) priority of selection shall be in numerical order according to the numbers of the Federal Reserve Districts, (b) the President and the First Vice President of the same Federal Reserve Bank shall not serve at the same time as members of the Interim Committee, and (c) whenever a regular member or regular alternate of the Federal Open Market Committee or a person having a higher priority as indicated in clauses (1), (2), and (3) becomes available he shall become a member of the Interim Committee in the place of the person then on the Interim Committee having the lowest priority. The Interim Committee is hereby authorized to take action by majority vote of those present whenever one or more members thereof are present, provided that an affirmative vote for the action taken is cast by at least one regular member, regular alternate, or President of a Federal Reserve Bank. The delegation of authority and other procedures set forth above shall be effective only during such period or periods as there are available less than a total of seven regular members and regular alternates of the Federal Open Market Committee.

As used herein the term "regular member" refers to a member of the Federal Open Market Committee duly appointed or elected in accordance with existing law; the term "regular alternate" refers to an alternate of the Committee duly elected in accordance with existing law and serving in the absence of the regular member for whom he was elected; and the term "alternate at large" refers to any other duly elected alternate of the Committee at a time when the member in whose absence he was elected to serve is available.

RESOLUTION OF FEDERAL OPEN MARKET COMMITTEE AUTHORIZING
CERTAIN ACTIONS BY FEDERAL RESERVE BANKS DURING AN EMERGENCY

(As last revised September 21, 1971)

The Federal Open Market Committee hereby authorizes each Federal Reserve Bank to take any or all of the actions set forth below during war or defense emergency when such Federal Reserve Bank finds itself unable after reasonable efforts to be in communication with the Federal Open Market Committee (or with the Interim Committee acting in lieu of the Federal Open Market Committee) or when the Federal Open Market Committee (or such Interim Committee) is unable to function.

(1) Whenever it deems it necessary in the light of economic conditions and the general credit situation then prevailing (after taking into account the possibility of providing necessary credit through advances secured by direct obligations of the United States under the last paragraph of section 13 of the Federal Reserve Act), such Federal Reserve Bank may purchase and sell obligations of the United States for its own account, either outright or under repurchase agreement, from and to banks, dealers or other holders of such obligations.

(2) Such Federal Reserve Bank may in its discretion purchase special certificates of indebtedness directly from the United States in such amounts as may be needed to cover overdrafts in the general account of the Treasurer of the United States on the books of such Bank or for the temporary accommodation of the Treasury, but such Bank shall take all steps practicable at the time to insure as far as possible that the amount of obligations acquired directly from the United States and held by it, together with the amount of such obligations so acquired and held by all other Federal Reserve Banks, does not exceed \$5 billion at any one time.

(3) Such Federal Reserve Bank may engage in operations of the types specified in the Committee's authorization for System foreign currency operations when requested to do so by an authorized official of the U.S. Treasury Department; provided, however, that such Bank shall take all steps practicable at the time to insure as far as possible that, in light of the information available on other System foreign currency operations, its own operations do not result in the aggregate in breaching any of the several dollar limits specified in the authorization.

4b (cont.)

-2-

Authority to take the actions set forth shall be effective only until such time as the Federal Reserve Bank is able again to establish communications with the Federal Open Market Committee (or the Interim Committee), and such Committee is then functioning.

Note: The final (unnumbered) paragraph shown above was inadvertently omitted from the text of the resolution at the time of the September 21, 1971, revision.

Resolution requesting a report of each examination of the System Open Market Account by the Board's examining force. (Note: By resolution on June 21, 1939, the Board of Governors was requested to cause its examining force in the future to furnish to the Secretary of the Open Market Committee a report of each examination of the System Open Market Account. The procedure then established has subsequently been reaffirmed periodically.)

GUIDELINES FOR THE CONDUCT OF SYSTEM OPEN
MARKET OPERATIONS IN FEDERAL AGENCY ISSUES

(As last revised June 17, 1975)

1. System open market operations in Federal agency issues are an integral part of total System open market operations designed to influence bank reserves, money market conditions, and monetary aggregates.
2. System open market operations in Federal agency issues are not designed to support individual sectors of the market or to channel funds into issues of particular agencies.
3. System holdings of agency issues shall be modest relative to holdings of U.S. Government securities, and the amount and timing of System transactions in agency issues shall be determined with due regard for the desirability of avoiding undue market effects.
4. Purchases will be limited to fully taxable issues for which there is an active secondary market. Purchases will also be limited to issues outstanding in amounts of \$300 million or over in cases where the obligations have a maturity of five years or less at the time of issuance, and to issues outstanding in amounts of \$200 million or over in cases where the securities have a maturity of more than five years at the time of issuance.
5. System holdings of any one issue at any one time will not exceed 30 per cent of the amount of the issue outstanding. Aggregate holdings of the issues of any one agency will not exceed 15 per cent of the amount of outstanding issues of that agency.
6. All outright purchases, sales and holdings of agency issues will be for the System Open Market Account.

FEDERAL OPEN MARKET COMMITTEE

RULES OF ORGANIZATION

As amended effective February 19, 1975

RULES OF ORGANIZATION*

As amended effective February 19, 1975

SECTION 1—AUTHORITY

The rules are issued by the Federal Open Market Committee (the "Committee") pursuant to the requirement of section 552 of Title 5 of the United States Code that every agency shall publish in the Federal Register a description of its central and field organization.

SECTION 2—COMPOSITION OF COMMITTEE

(a) **Members.**—The Committee consists of the seven members of the Board of Governors of the Federal Reserve System (the "Board") and five representatives of the Federal Reserve Banks, each of whom is a President or a First Vice President of a Reserve Bank.

(b) **Reserve Bank representatives.**—The representatives of the Federal Reserve Banks, and an alternate for each representative, are elected by the boards of directors of the Reserve Banks in accordance with section 12A of the Federal Reserve Act (12 U.S.C. § 263) for terms of one year commencing on March 1 of each year. Prior to the first meeting of the Committee on or after March 1 of each year, each member of the Committee representing the Federal Reserve Banks shall cause a record of his election and of the election of his alternate to be forwarded to the Secretary of the Committee. If any question is raised as to the election or eligibility of a member or alternate, the Committee determines such question before such member or alternate participates in a meeting of the Committee. In the event a member is absent from a meeting of the Committee, his alternate, in attending the meeting, shall have the same status as the member for whom he is serving. If a member or alternate ceases to be a President or First Vice President of a Reserve Bank, a successor may be chosen in a special election by the boards of directors of the appro-

appropriate Reserve Bank or Banks and such successor serves until the next annual election.

(c) **Oath of office.**—Each member of the Committee and each alternate take the same oath of office as that prescribed by statute to be taken by officers of the United States.

SECTION 3—CHAIRMAN AND VICE CHAIRMAN

At its first meeting on or after March 1 of each year, the Committee elects a Chairman and a Vice Chairman from among its membership. The Chairman presides at all meetings of the Committee and performs such other duties as the Committee may require. The Vice Chairman performs the duties of the Chairman in the absence of the Chairman. In the absence of both the Chairman and the Vice Chairman of the Committee, the Vice Chairman of the Board acts as Chairman of the Committee; and, in the absence of the Chairman and the Vice Chairman of the Committee and the Vice Chairman of the Board, the member of the Board present with the longest service as a member of the Board acts as Chairman of the Committee.

SECTION 4—STAFF

(a) **Selection of staff officers.**—At its first meeting on or after March 1 of each year, the Committee selects, from among the officers and employees of the Board and the Federal Reserve Banks, the following staff officers to serve until the first meeting on or after March 1 of the next following year: Secretary, Deputy Secretary, and one or more Assistant Secretaries; General Counsel, Deputy General Counsel, and one or more

* The text is not included in the Code of Federal Regulations and therefore may not be cited with a code reference.

Assistant General Counsel; and Economists, one or more of whom may be designated as Senior or Associate Economists or given titles reflecting their areas of particular specialization.

(b) Secretary and Deputy and Assistant Secretaries.—The Secretary keeps minutes of actions and records of discussions at all meetings of the Committee; he maintains a complete record of the actions taken by the Committee upon all questions of policy relating to open market operations; and he records the votes taken in connection with the determination of open market policies and the reasons underlying each such action. He has custody of such minutes and records, and he performs such other duties as the Committee may require. In the absence of the Secretary of the Committee, the Deputy Secretary or an Assistant Secretary acts as Secretary pro tem.

(c) Economists.—The Economists prepare for the use of the Committee and present to it such information regarding business and credit conditions and domestic and international economic and financial developments as will assist the Committee in the determination of open market policies, and they perform such other duties as the Committee may require.

(d) General Counsel and Deputy and Assistant

General Counsel.—The General Counsel furnishes such legal advice as the Committee may require. In the absence of the General Counsel, the Deputy General Counsel or an Assistant General Counsel acts as General Counsel pro tem.

(e) Filling of vacancies.—At any meeting the Committee may fill any vacancy in the offices described in this section.

(f) Other staff assistance.—The services of any officers and employees of the Board and the Federal Reserve Banks are made available and are utilized by the Committee as required.

SECTION 5—MANAGER AND DEPUTIES

The Committee selects a Manager of the System Open Market Account, a Deputy Manager for Domestic Operations, and a Deputy Manager for Foreign Operations. All of the foregoing shall be satisfactory to the Federal Reserve Bank selected by the Committee to execute open market transactions for such Account, and all shall serve at the pleasure of the Committee. The Manager or his Deputies keep the Committee informed on market conditions and on transactions they have made and render such reports as the Committee may specify.

FEDERAL OPEN MARKET COMMITTEE

**RULES REGARDING
AVAILABILITY OF INFORMATION**

(12 CFR 271)

As amended effective March 24, 1975

CONTENTS

	Page		Page
SEC. 271.1—AUTHORITY	4	(d) Appeal of denial of access to records of the Commit- tee	5
SEC. 271.2—DEFINITIONS	4	(e) Extension of time require- ments in unusual circum- stances	5
(a) "Information of the Committee"	4	(f) Fee schedule	5
(b) "Records of the Committee"	4	SEC. 271.5—DEFERMENT OF AVAILABILITY OF CERTAIN INFORMATION	5
SEC. 271.3—PUBLISHED INFORMATION	4	(a) Deferred availability of information	5
(a) Federal Register	4	(b) Reasons for deferment of availability	6
(b) Policy record	4	SEC. 271.6—INFORMATION NOT DISCLOSED .	6
(c) Other published informa- tion	4	SEC. 271.7—SUBPOENAS	6
SEC. 271.4—RECORDS AVAILABLE TO THE PUBLIC ON REQUEST	4	(a) Advice by person served	6
(a) Records available	4	(b) Appearance by person served	7
(b) Place and time	5		
(c) Obtaining access to rec- ords	5		

RULES REGARDING AVAILABILITY OF INFORMATION*

(12 CFR 271)

As amended effective March 24, 1975

SECTION 271.1—AUTHORITY

This Part is issued by the Federal Open Market Committee (the "Committee") pursuant to the requirement of section 552 of Title 5 of the United States Code that every agency shall publish in the Federal Register for the guidance of the public descriptions of the established places at which, the officers from whom, and the methods whereby, the public may obtain information, make submittals or requests, or obtain decisions.

SECTION 271.2—DEFINITIONS

(a) **"Information of the Committee".**—For purposes of this Part, the term "information of the Committee" means all information coming into the possession of the Committee or of any member thereof or of any officer, employee, or agent of the Committee, the Board of Governors of the Federal Reserve System (the "Board"), or any Federal Reserve Bank, in the performance of duties for, or pursuant to the direction of, the Committee.

(b) **"Records of the Committee".**—For purposes of this Part, the term "records of the Committee" means rules, statements, opinions, orders, memoranda, letters, reports, accounts, and other papers containing information of the Committee that constitute a part of the Committee's official files.

SECTION 271.3—PUBLISHED INFORMATION

(a) **Federal Register.**—To the extent required by sections 552 and 553 of Title 5 of the United States Code, and subject to the provisions of §§ 271.5 and 271.6, the Committee publishes in the Federal Register, in addition to this Part—

- (1) a description of its organization;
- (2) statements of the general course and method by which its functions are channeled and determined;
- (3) rules of procedure;
- (4) substantive rules of general applicability, and statements of general policy and interpretations of general applicability formulated and adopted by the Committee;
- (5) every amendment, revision, or repeal of the foregoing; and

(6) general notices of proposed rule making.

(b) **Policy record.**—In accordance with section 10 of the Federal Reserve Act (12 U.S.C. 247a), each annual report made to Congress by the Board includes a complete record of the actions taken by the Committee during the preceding year upon all matters of policy relating to open market operations, showing the votes taken and the reasons underlying such actions.

(c) **Other published information.**—From time to time, other information relating to open market operations of the Federal Reserve Banks is published in the Federal Reserve BULLETIN, issued monthly by the Board, in such Board's annual report to Congress, and in announcements and statements released to the press. Copies of issues of the BULLETIN and of annual reports of the Board may be obtained upon request.

SECTION 271.4—RECORDS AVAILABLE TO THE PUBLIC ON REQUEST

(a) **Records available.**—Records of the Committee are made available to any person, upon request, for inspection or copying in accordance

* The text corresponds to the Code of Federal Regulations, Title 12, Chapter II, Part 271; cited as 12 CFR 271. The words "this Part", as used herein, mean these rules.

RULES REGARDING INFORMATION

§§ 271.4–271.5

with the provisions of this section and subject to the limitations stated in §§ 271.5 and 271.6. Records falling within the exemptions from disclosure set forth in section 552(b) of Title 5 of the United States Code and in § 271.6 may nevertheless be made available in accordance with this section to the fullest extent consistent, in the Committee's judgment, with the effective performance of the Committee's statutory responsibilities and with the avoidance of injury to a public or private interest intended to be protected by such exemptions.

(b) **Place and time.**—In general, the records of the Committee are held in the custody of the Board, but certain of such records, or copies thereof, are held in the custody of one or more of the Federal Reserve Banks. Any such records subject to this section will be made available for inspection or copying during regular business hours at the offices of the Board in the Federal Reserve Building, 20th and Constitution Avenue, Washington, D. C. 20551, or, in certain instances as provided in paragraph (c) of this section, at the offices of one or more designated Federal Reserve Banks.

(c) **Obtaining access to records.**—Any person requesting access to records of the Committee shall submit such request in writing to the Secretary of the Committee. In any case in which the records requested, or copies thereof, are available at a Federal Reserve Bank, the Secretary of the Committee may so advise the person requesting access to the records. Every request for access to records of the Committee shall state the full name and address of the person requesting them and shall describe such records in a manner reasonably sufficient to permit their identification without undue difficulty. The Secretary of the Committee shall determine within ten working days after receipt of a request for access to records of the Committee whether to comply with such request; and he shall immediately notify the requesting party of his decision, of the reasons therefor, and of the right of the requesting party to appeal to the Committee any refusal to make available the requested records of the Committee.

(d) **Appeal of denial of access to records of the Committee.**—Any person who is denied access to records of the Committee, properly requested in accordance with paragraph (c) of this section, may file, with the Secretary of the Committee, within ten days of notification of such denial, a written request for review of such denial.

The Committee, or such member or members as the Committee may designate (pursuant to section 272.4(c) of its Rules of Procedure) shall make a determination with respect to any such appeal within 20 working days of its receipt, and shall immediately notify the appealing party of the decision on the appeal and of the right to seek court review of any decision which upholds, in whole or in part, the refusal of the Secretary of the Committee to make available the requested records.

(e) **Extension of time requirements in unusual circumstances.**—In unusual circumstances as provided in 5 U.S.C. § 552 (a)(6)(b), the time limitations imposed upon the Secretary of the Committee or the Committee or its designated representative[s] in paragraphs (c) and (d) of this section may be extended by written notice to the requesting party for a period of time not to exceed a total of ten working days.

(f) **Fee schedule.**—A person requesting access to or copies of particular records shall pay the costs of searching and copying such records at the rate of \$10 per hour for searching and 10 cents per standard page for copying. With respect to information obtainable only by processing through a computer or other information systems program, a person requesting such information shall pay a fee not to exceed the direct and reasonable cost of retrieval and production of the information requested. Detailed schedules of such charges are available upon request from the Secretary of the Committee. Documents may be furnished without charge or at a reduced charge where the Secretary of the Committee or such person as he may designate determines that waiver or reduction of the fee is in the public interest because furnishing the information can be considered as primarily benefiting the general public, or where total charges are less than \$2.

SECTION 271.5—DEFERMENT OF
AVAILABILITY OF CERTAIN
INFORMATION

(a) **Deferred availability of information.**—In some instances, certain types of information of the Committee are not published in the Federal Register or made available for public inspection or copying until after such period of time as the Committee may determine to be reasonably necessary to avoid the effects described in paragraph (b) of this section or as may otherwise be neces-

§§ 271.5–271.7

RULES REGARDING INFORMATION

sary to prevent impairment of the effective discharge of the Committee's statutory responsibilities. For example, the Committee's domestic policy directive adopted at each meeting of the Committee is published in the Federal Register approximately 45 days after the date of its adoption; and no information in the records of the Committee relating to the adoption of any such directive is made available for public inspection or copying before it is published in the Federal Register or is otherwise released to the public by the Committee.

(b) Reasons for deferment of availability.—Publication of, or access to, certain information of the Committee may be deferred because earlier disclosure of such information would—

(1) interfere with the orderly execution of policies adopted by the Committee in the performance of its statutory functions;

(2) permit speculators and others to gain unfair profits or to obtain unfair advantages by speculative trading in securities, foreign exchange, or otherwise;

(3) result in unnecessary or unwarranted disturbances in the securities market;

(4) make open market operations more costly;

(5) interfere with the orderly execution of the objectives or policies of other Government agencies concerned with domestic or foreign economic or fiscal matters; or

(6) interfere with, or impair the effectiveness of, financial transactions with foreign banks, bankers, or countries that may influence the flow of gold and of dollar balances to or from foreign countries.

**SECTION 271.6—INFORMATION
NOT DISCLOSED**

Except as may be authorized by the Committee, information of the Committee that is not available to the public through other sources will not be published or made available for inspection, examination, or copying by any person if such information

(a) is exempted from disclosure by statute or is specifically authorized under criteria established by an executive order to be kept secret in the interest of national defense or foreign policy and is in fact properly classified pursuant to such executive order;

(b) relates solely to internal personnel rules or

practices or other internal practices of the Committee;

(c) relates to trade secrets or commercial or financial information obtained from any person and privileged or confidential;

(d) is contained in inter-agency or intra-agency memoranda or letters, including records of deliberations and discussions at meetings of the Committee and reports and documents filed by members or staff of the Committee that would not be routinely available to a private party in litigation with the Committee;

(e) is contained in personnel, medical, or similar files (including financial files) the disclosure of which would constitute a clearly unwarranted invasion of personal privacy; or

(f) is contained in or related to examination, operating, or condition reports prepared by, on behalf of, or for the use of any agency responsible for the regulation or supervision of financial institutions.

Except as provided by or pursuant to this Part, no person shall disclose, or permit the disclosure of, any information of the Committee to any person, whether by giving out or furnishing such information or copy thereof, by allowing any person to inspect, examine, or reproduce such information or copy thereof, or by any other means, whether the information is located at the offices of the Board, any Federal Reserve Bank, or elsewhere, unless such disclosure is required in the performance of duties for, or pursuant to the direction of, the Committee.

SECTION 271.7—SUBPOENAS

(a) Advice by person served.—If any person, whether or not an officer or employee of the Committee, of the Board, or of a Federal Reserve Bank, has information of the Committee that may not be disclosed by reason of § 271.5 or § 271.6 and in connection therewith is served with a subpoena, order, or other process requiring his personal attendance as a witness or the production of documents or information upon any proceeding, he should promptly inform the Secretary of the Committee of such service and of all relevant facts, including the documents and information requested and any facts that may be of assistance in determining whether such documents or information should be made available; and he should take action at the appropriate time to inform the court or tribunal that issued the process, and the attorney for the party at whose

RULES REGARDING INFORMATION

§ 271.7

instance the process was issued, if known, of the substance of this Part.

(b) Appearance by person served.—Except as disclosure of the relevant information is authorized pursuant to this Part, any person who has information of the Committee and is required to respond to a subpoena or other legal process shall attend at the time and place therein mentioned and decline to disclose such information or give

any testimony with respect thereto, basing his refusal upon this Part. If, notwithstanding, the court or other body orders the disclosure of such information, or the giving of such testimony, the person having such information of the Committee shall continue to decline to disclose such information and shall promptly report the facts to the Committee for such action as the Committee may deem appropriate.

FEDERAL OPEN MARKET COMMITTEE

RULES OF PROCEDURE

(12 CFR 272)

As amended effective February 19, 1975

RULES OF PROCEDURE*

(12 CFR 272)

As amended effective February 19, 1975

SECTION 272.1—AUTHORITY

This Part is issued by the Federal Open Market Committee (the "Committee") pursuant to the requirement of section 552 of Title 5 of the United States Code that every agency shall publish in the Federal Register its rules of procedure.

SECTION 272.2—FUNCTIONS OF THE COMMITTEE

The procedures followed by the Committee are designed to facilitate the effective performance of the Committee's statutory functions with respect to the regulation and direction of open market operations conducted by the Federal Reserve Banks and with respect to certain direct transactions between the Reserve Banks and the United States. In determining the policies to be followed in such operations, the Committee considers information regarding business and credit conditions and domestic and international economic and financial developments, and other pertinent information gathered and submitted by its staff and the staffs of the Board of Governors of the Federal Reserve System (the "Board") and the Federal Reserve Banks. Against the background of such information, the Committee takes actions from time to time to regulate and direct the open market operations of the Reserve Banks. Such policy actions ordinarily are taken through the adoption and transmission to the Federal Reserve Banks of regulations, authorizations, and directives.

SECTION 272.3—MEETINGS

(a) **Place and frequency.**—The Committee meets in Washington, D.C., at least four times each year and oftener if deemed necessary. Meetings are held upon the call of the Chairman of the Board or at the request of any three members of the Committee. Notices of calls by the Chairman of the Board to other members are given by the

Secretary of the Committee in writing or by telegram. Requests of any three members for the calling of a meeting shall state the time therefor and shall be filed in writing or by telegram with the Secretary who shall forthwith notify all members of the Committee in writing or by telegram. When the Secretary has sent notices to all members of the Committee that a meeting has been requested by three members and of the time therefor, a meeting is deemed to have been called. If, in the judgment of the Chairman, circumstances require that a meeting be called at such short notice that one or more members cannot be present in Washington, such members may participate in the meeting by telephone conference arrangements.

(b) **Alternates.**—Whenever any member of the Committee representing Federal Reserve Banks shall find that he will be unable to attend a meeting of the Committee, he shall promptly notify his alternate and the Secretary of the Committee in writing or by telegram, and upon receipt of such notice the alternate shall advise the Secretary whether he will attend such meeting.

(c) **Quorum.**—Seven members (including alternates present and acting in the absence of members) constitute a quorum for the transaction of business; but less than a quorum may adjourn from time to time until a quorum is in attendance.

(d) **Attendance at meetings.**—Attendance at Committee meetings is restricted to members and alternate members of the Committee, the Presidents of Federal Reserve Banks who are not at the time members or alternates, staff officers of the Committee, the Manager and Deputy Managers, and such other advisers as the Committee may invite from time to time.

(e) **Meetings agendas.**—The Secretary, in con-

* The text corresponds to the Code of Federal Regulations, Title 12, Chapter II, Part 272; cited as 12 CFR 272.

sultation with the Chairman, prepares an agenda of matters to be discussed at each meeting and the Secretary transmits the agenda to the members of the Committee within a reasonable time in advance of such meeting. In general, the agendas include approval of minutes of actions and acceptance of memoranda of discussion for previous meetings; reports by the Manager or Deputy Managers on open market operations since the previous meeting, and ratification by the Committee of such operations; reports by Economists on, and Committee discussion of the economic and financial situation and outlook; Committee discussion of monetary policy and action with respect thereto; and such other matters as may be considered necessary.

SECTION 272.4—COMMITTEE ACTIONS

(a) **Actions at meetings.**—Actions are taken at meetings of the Committee except as described below.

(b) **Actions between meetings.**—Special circumstances may make it desirable in the public interest for Committee members to consider an action to modify an outstanding Committee authorization or directive at a time when it is not feasible to call a meeting. Whenever, in the judgment of the Chairman, such circumstances have arisen, the relevant information and recommendations for action are transmitted to the members by the Secretary, and the members communicate their votes to the Secretary. If the action is approved by a majority of the members, advice to that effect is promptly given by the Secretary to the members of the Committee and to the Reserve Bank selected to execute transactions for the System Open Market Account. All communications of recommended actions and votes under this paragraph shall be in writing or by telegram; provided that, in exceptional cases when that is not feasible, such communications may be made orally, either in person or by telephone, and the

Secretary shall cause a written record to be made without delay. An action taken between meetings has the force and effect of an action at a meeting; provided, however, that if a meeting is held before the execution of any operations pursuant to the action, the action is null and void unless it is ratified and confirmed by the Committee at such meeting.

(c) **Delegations of authority.**—In special circumstances, the Committee may delegate authority to take an action, subject to such instructions or guidelines as the Committee deems proper. Such delegations of authority may be made to the Chairman; to a subcommittee consisting of the Chairman and the Vice Chairman of the Committee and the Vice Chairman of the Board (or in the absence of the Chairman or of the Vice Chairman of the Board the members of the Board designated by the Chairman as alternates, and in the absence of the Vice Chairman of the Committee his alternate); or to any other member or members of the Committee. An action taken pursuant to such a delegation of authority has the force and effect of an action taken by the Committee.

(d) **Effective date.**—Committee action ordinarily is made effective as of the time it is taken because the nature of the subject matter and the action taken is such that the public interest and the proper discharge of the Committee's responsibilities so require. Occasionally, however, the Committee may specify that an action is to be effective at some different time.

SECTION 272.5—NOTICE AND PUBLIC PROCEDURE

There ordinarily is no published notice of proposed action by the Committee or public procedure thereon, as described in section 553 of Title 5 of the United States Code, because such notice and procedure are impracticable, unnecessary, or contrary to the public interest.

FEDERAL OPEN MARKET COMMITTEE

**REGULATION RELATING TO
OPEN MARKET OPERATIONS OF
FEDERAL RESERVE BANKS**

(12 CFR PART 270)

As amended effective February 1, 1973

FEDERAL OPEN MARKET COMMITTEE

OPEN MARKET OPERATIONS OF FEDERAL RESERVE BANKS

AMENDMENTS †

1. Effective April 1, 1974, section 270.4(c)(2) is amended to read as follows:

SECTION 270.4—TRANSACTIONS IN OBLIGATIONS

* * * * *

(c) In accordance with such limitations, terms, and conditions as are prescribed by law and in authorizations and directives issued by the Committee, the Reserve Bank selected by the Committee is authorized and directed—

* * * * *

(2) To buy and sell bankers' acceptances in the open market for its own account;

* * * * *

2. Effective January 30, 1975, section 270.4(d) is amended to read as follows:

SECTION 270.4—TRANSACTIONS IN OBLIGATIONS

* * * * *

(d) In accordance with such limitations, terms, and conditions as are prescribed by law and in authorizations and directives issued by the Committee, the Reserve Bank selected by the Committee (or, under special circumstances, such as when that Bank is closed, any other Federal Reserve Bank) is authorized and directed, for its own account or the System Open Market Account, to purchase directly from the United States such amounts of Government securities as may be necessary from time to time for the temporary accommodation of the Treasury Department.

* * * * *

† For this Regulation to be complete as amended April 1, 1974, retain:
1) Printed Regulation pamphlet as amended effective February 1, 1973.
2) This slip sheet. (Destroy April 1974 revised slipsheet)

REGULATION RELATING TO OPEN MARKET OPERATIONS OF FEDERAL RESERVE BANKS *

(12 CFR PART 270)

As amended effective February 1, 1973

SECTION 270.1—AUTHORITY

This Part is issued by the Federal Open Market Committee (the "Committee") pursuant to authority conferred upon it by sections 12A and 14 of the Federal Reserve Act (12 U.S.C. §§ 263, 355).

SECTION 270.2—DEFINITIONS

(a) The term "obligations" means Government securities, U. S. agency securities, bankers' acceptances, bills of exchange, cable transfers, bonds, notes, warrants, debentures, and other obligations that Federal Reserve Banks are authorized by law to purchase and sell.

(b) The term "Government securities" means direct obligations of the United States (i.e., U. S. bonds, notes, certificates of indebtedness, and Treasury bills) and obligations fully guaranteed as to principal and interest by the United States.

(c) The term "U. S. agency securities" means obligations that are direct obligations of, or are fully guaranteed as to principal and interest by, any agency of the United States.

(d) The term "System Open Market Account" means the obligations acquired pursuant to authorizations and directives issued by the Committee and held on behalf of all Federal Reserve Banks.

SECTION 270.3—GOVERNING PRINCIPLES

As required by section 12A of the Federal Reserve Act, the time, character, and volume of all purchases and sales of obligations in the open market by Federal Reserve Banks are governed with a view to accommodating commerce and business and with regard to their bearing upon the general credit situation of the country.

* The text corresponds to the Code of Federal Regulations, Title 12, Chapter II, Part 271; cited as 12 CFR 271.

SECTION 270.4—TRANSACTIONS IN OBLIGATIONS

(a) Each Federal Reserve Bank shall engage in open market operations under section 14 of the Federal Reserve Act only in accordance with this Part and with the authorizations and directives issued by the Committee from time to time, and no Reserve Bank shall decline to engage in open market operations as directed by the Committee.

(b) Transactions for the System Open Market Account shall be executed by a Federal Reserve Bank selected by the Committee. The participations of the several Federal Reserve Banks in such Account and in the profits and losses on transactions for the Account shall be allocated in accordance with principles determined by the Committee from time to time.

(c) In accordance with such limitations, terms, and conditions as are prescribed by law and in authorizations and directives issued by the Committee, the Reserve Bank selected by the Committee is authorized and directed—

(1) To buy and sell Government securities and U. S. agency securities in the open market for the System Open Market Account, and to exchange maturing securities with the issuer;

(2) To buy and sell bankers' acceptances of the kinds made eligible for purchase under Part 202 of this chapter [Regulation B] in the open market for its own account;

(3) To buy Government securities, U. S. agency securities, and bankers' acceptances of the kinds described above, under agreements for repurchase of such obligations, in the open market for its own account; and

(4) To buy and sell foreign currencies in the form of cable transfers in the open market for

§ 270.4

OPERATIONS OF FEDERAL RESERVE BANKS

the System Open Market Account and to maintain for such Account reciprocal currency arrangements with foreign banks among those designated by the Board of Governors of the Federal Reserve System under § 214.5 of this chapter [Regulation N].

(d) In accordance with such limitations, terms, and conditions as are prescribed by law and in authorizations and directives issued by the Committee, the Reserve Bank selected by the Committee (or, if that Bank is closed, any other Federal Reserve Bank) is authorized and directed,

for its own account or the System Open Market Account, to purchase directly from the United States such amounts of Government securities as may be necessary from time to time for the temporary accommodation of the Treasury Department.

(e) The Federal Reserve Banks are authorized and directed to engage in such other operations as the Committee may from time to time determine to be reasonably necessary to the effective conduct of open market operations and the effectuation of open market policies.